

Close Portfolio Funds

Monthly fund manager update

SEPTEMBER 2021



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MONTH IN REVIEW

The Close Portfolio Funds delivered negative returns in September, breaking a run of eight positive months. The Conservative Fund fell -3.25%, Balanced dropped -3.96% and Growth retreated -4.85%.

September proved to be a 'perfect storm' as various macroeconomic worries trumped everything else. It was a reminder that markets can indeed go down after a prolonged run. But the lack of any bad company specific news gives us heart that the profit-taking and risk-aversion were short-lived.

SEPTEMBER THOUGHTS – YEAR OF CHARITY UPDATE

A former fighter helicopter pilot retired from military service and retrained as a university lecturer. I asked him how his new academic career was going. He quipped that the title of an old Country & Western song by Merle Haggard described his thoughts about his new job well: "It's not love, but it's not bad".

The lyrics are about the country singer's new 'relationship'; it is not as perfect as his prior relationship but 'it's not bad', either. It may not be ideal, but it is workable.

This made me think about how I perceive the investment market at the moment. And the same applies: it's not love, but it's not bad. On a scale of 1-10 (1 being poor and 10 excellent), I would give it a 7.

SO WHAT WOULD MAKE US 'LOVE' THE CURRENT MARKETS MORE?

- It would be nice if inflation expectations were lower and more predictable.
- Central banks remaining supportive for longer to protect us from economic slowdowns.
- Less risk of Central Bank policy mistakes or political misjudgements to worry about.
- That we would not be so close to all-time highs in equity markets.

- That the pandemic would finally end, allowing the removal of all remaining restrictions.
- Less uncertainty about Chinese economic conditions and its growth trajectory.
- Stable outlook for bond markets and growth of corporate earnings.

This obviously represents a rather optimistic wish list for risky assets with some potentially conflicting targets. Unfortunately, in reality, markets are not always ideal and we simply have to 'make do' with what we have got. However, even if the current environment may not be perfect, it's not bad either. In fact, markets that are priced for perfection, are often more dangerous than markets that display some risks, challenges and imperfections. Some bad news may actually be good news.

That market conditions are not evidently ideal makes us anticipate a moderate degree of continued stimulus and relatively supportive financial conditions for longer. The situation remains somewhat precarious and therefore nobody wants to 'rock the boat'.

LOOKING AHEAD

Therefore, while September gave us a reminder of volatility with a dip in risky assets, we find the global multi-asset markets entirely workable. Equities still have more unfulfilled upside potential. The prediction of positive returns for 2021 remains. The Year of Charity is about looking beyond the short-term and oneself. It is about the long-term patient investment perspective and sharing.

With thanks for the past years and all the best wishes for the future,

Rita

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